

**Billy Graham Evangelistic
Association of Canada**

Financial Statements
December 31, 2019



Independent auditor's report

To the Members of Billy Graham Evangelistic Association of Canada

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Billy Graham Evangelistic Association of Canada (the Association) as at December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Association's financial statements comprise:

- the statement of financial position as at December 31, 2019;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the annual ministry report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
May 22, 2020

Billy Graham Evangelistic Association of Canada

Statement of Financial Position


As at December 31, 2019

	2019 \$	2018 \$
Assets		
Current assets		
Cash	1,654,484	4,489,771
Short-term investments (note 4)	1,777,760	1,323,836
Accounts receivable	46,029	69,690
Prepaid expenses	86,874	70,799
	<u>3,565,147</u>	<u>5,954,096</u>
Investments (note 4)	6,458,729	3,669,468
Capital assets (note 5)	<u>3,954,186</u>	<u>3,989,866</u>
	<u>13,978,062</u>	<u>13,613,430</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	183,940	168,727
Unearned revenue on subscriptions to <i>Decision</i> magazine	34,109	39,245
Payable to related parties (note 9)	33,958	11,230
	<u>252,007</u>	<u>219,202</u>
Deferred contributions (note 6)	<u>165,712</u>	<u>37,290</u>
	<u>417,719</u>	<u>256,492</u>
Fund Balances		
Unrestricted	8,881,006	8,641,921
Internally restricted – invested in capital assets	3,954,186	3,989,866
Endowments	<u>725,151</u>	<u>725,151</u>
	<u>13,560,343</u>	<u>13,356,938</u>
	<u>13,978,062</u>	<u>13,613,430</u>

Subsequent events (note 12)

Approved by the Board of Directors

 Director

 Director

The accompanying notes are an integral part of these financial statements.

Billy Graham Evangelistic Association of Canada

Statement of Operations and Changes in Fund Balances

For the year ended December 31, 2019

				2019	2018
	Operating Fund	Capital Fund	Endowment Fund	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Contributions – general	2,539,903	-	-	2,539,903	2,551,997
Recognition of deferred ministry contributions (note 6)	1,312,375	-	-	1,312,375	1,656,173
Bequests	842,612	-	-	842,612	1,642,057
Investment and other income	247,920	-	-	247,920	153,700
<i>Decision</i> magazine subscriptions	56,387	-	-	56,387	63,543
	<u>4,999,197</u>	<u>-</u>	<u>-</u>	<u>4,999,197</u>	<u>6,067,470</u>
Expenditures					
Evangelistic ministries					
City wide evangelism	1,525,789	-	-	1,525,789	1,882,402
International ministries	274,735	-	-	274,735	453,542
Training	93,423	-	-	93,423	28,003
Rapid Response ministry	376,067	-	-	376,067	315,435
<i>Decision</i> magazine	141,582	-	-	141,582	168,339
Media	316,151	-	-	316,151	159,133
Other ministry	1,229,172	113,234	-	1,342,406	1,351,132
	<u>3,956,919</u>	<u>113,234</u>	<u>-</u>	<u>4,070,153</u>	<u>4,357,986</u>
General and administrative	509,405	29,510	-	538,915	542,763
Fundraising	186,724	-	-	186,724	179,577
	<u>4,653,048</u>	<u>142,744</u>	<u>-</u>	<u>4,795,792</u>	<u>5,080,326</u>
Excess (deficiency) of revenue over expenditures	346,149	(142,744)	-	203,405	987,144
Fund balance – Beginning of year	8,641,921	3,989,866	725,151	13,356,938	12,369,794
Inter-fund transfer – capital asset additions	(107,064)	107,064	-	-	-
Fund balance – End of year	<u>8,881,006</u>	<u>3,954,186</u>	<u>725,151</u>	<u>13,560,343</u>	<u>13,356,938</u>

The accompanying notes are an integral part of these financial statements.

Billy Graham Evangelistic Association of Canada

Statement of Cash Flows

For the year ended December 31, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year – Operating Fund	346,149	1,102,109
Interest (accrued) in excess of interest received	(104,426)	46,524
	<u>241,723</u>	<u>1,148,633</u>
Net increase (decrease) in deferred contributions	128,422	(138,035)
Changes in non-cash working capital		
Accounts receivable	23,661	(9,940)
Prepaid expenses	(16,075)	(909)
Accounts payable and accrued liabilities	15,214	11,575
Payable to related parties	22,728	(30,062)
Unearned revenue on subscriptions to <i>Decision</i> magazine	(5,136)	(2,661)
	<u>410,537</u>	<u>978,601</u>
Investing activities		
Purchase of investments	(4,539,042)	(1,000,000)
Proceeds on maturities of investments	1,400,282	3,454,000
Purchase of capital assets	(107,064)	(530,581)
	<u>(3,245,824)</u>	<u>1,923,419</u>
(Decrease) increase in cash during the year	(2,835,287)	2,902,020
Cash – Beginning of year	<u>4,489,771</u>	<u>1,587,751</u>
Cash – End of year	<u>1,654,484</u>	<u>4,489,771</u>

The accompanying notes are an integral part of these financial statements.

Billy Graham Evangelistic Association of Canada

Notes to Financial Statements

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1 Nature of the Association

Billy Graham Evangelistic Association of Canada (the Association) was incorporated under Part II of the Canada Corporations Act by letters patent dated July 2, 1968, and was continued under the Canada Not-for-Profit Corporations Act on November 8, 2013. The purpose of the Association is to propagate the Gospel of the Lord Jesus Christ and to equip others to do likewise. Support is received from individual donors through contributions, deferred giving programs and evangelistic activities.

As ambassadors of Christ, the Association seeks to help all people understand that God has reconciled the world to Himself through the death and resurrection of His Son; that Jesus Christ, who knew no sin, took upon Himself the sin of all mankind and in doing so, has ensured that our sin would not be counted against us. Jesus has become for us wisdom from God; that is, our righteousness, holiness and redemption (2 Corinthians 5: 11-21, 1 Corinthians 1:31).

The Association is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

2 Change in accounting policies

Effective January 1, 2019, the Association adopted the new standards of the Chartered Professional Accountants (CPA) Handbook, Part III – Accounting for Not-for-Profit Organizations (ASNPO), Section 4433 – Tangible Capital Assets Held by Not-for-Profit Organizations.

The adoption of Section 4433 – Tangible Capital Assets Held by Not-for-Profit Organizations resulted in a change to Association's accounting policies with respect to componentization and amortization of tangible capital assets. The cost of tangible capital assets made up of significant separable component parts is now allocated to the component parts when practicable and when estimates can be made of the estimated useful lives of the separate components.

In accordance with transitional provisions in Section 4433, the cost and related accumulated amortization of those tangible capital assets identified as having significant separable components were allocated to their component parts as of January 1, 2019, based on the proportional value of their original cost at the date the assets were acquired. Estimates of the useful lives of the components were made and applied on a prospective basis.

3 Summary of significant accounting policies

Basis of presentation

The Association's financial statements have been prepared in accordance with ASNPO.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the

Billy Graham Evangelistic Association of Canada

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reporting period. These estimates and assumptions are the responsibility of management. These estimates and assumptions are subject to measurement uncertainty and actual results and financial position may differ from those reported in these financial statements. Significant estimates included in these financial statements are the useful lives of capital assets and accruals.

Fund accounting

The Association follows the restricted fund method of accounting for contributions. The Association maintains the following funds:

- The Operating Fund reports the assets, liabilities, revenue and expenditures relating to ministry and administrative activities of the Association.
- The Capital Fund reports the assets, liabilities, revenue and expenditures related to the Association's capital assets.
- The Endowment Fund reports the assets and contributions that donors have specified must be maintained in perpetuity.

Revenue recognition

Unrestricted contributions are recognized as revenue in the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to a capital purpose are recognized as revenue in the Capital Fund when received. Endowment Fund contributions are recognized as revenue in the Endowment Fund when received. All other restricted contributions are recognized as revenue in the Operating Fund in the year in which related expenses are incurred.

Revenue for subscriptions to *Decision* magazine is recorded as deferred revenue and is recognized in revenue over the period of the subscription.

Unrestricted investment income is recognized as revenue of the Operating Fund.

Contributed goods and services

Donations of goods and services are recorded when the fair value is reasonably determinable and when they would otherwise be purchased by the Association.

A portion of the Association's work is dependent on voluntary services from many members and supporters. Because of the difficulty in determining their value, these contributed services are not recognized in the financial statements.

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Allocation of expenses

The Association engages in ministry, fundraising and general activities. The costs of each activity include the costs that are 100% related to the respective activity. The Association also incurs general expenses that are allocated to the various activities. General expenses, including building overhead expenses and insurance, are allocated to the various activities based on the pro-rata share of time spent by all employees on ministry activities, fundraising activities and general and administrative activities.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with initial terms to maturity of 90 days or less.

Investments

Fixed income investments, other than guaranteed investment certificates (GICs), are carried at amortized cost. The investments are recorded at fair value at the time of acquisition and thereafter are measured at amortized cost using the effective interest method. GICs are recorded at fair value, which is calculated as the certificate deposit amount plus accrued interest. Equity investments are recorded at fair value determined by reference to published price quotations in an active market. The change in fair value is recorded directly in the statement of operations and changes in fund balances in the Operating Fund. Transaction costs are expensed as incurred.

Investments with maturities greater than 90 days but less than one year have been classified as short-term investments.

Capital assets

Capital assets are recorded at cost less accumulated amortization and any provision for impairment. The cost for contributed capital assets is considered to be fair value at the date of contribution. The cost of capital assets made up of significant separable component parts is allocated to the component parts when practicable and when estimates can be made of the estimated useful lives of the separate components.

Capital assets are tested for impairment when conditions indicate that a capital asset no longer contributes to Association's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset is written down to the asset's fair value or replacement cost. The writedowns of capital assets are recognized as expenditures in the statement of operations and changes in fund balances.

Writedowns are not subsequently reversed.

Amortization is recorded using the straight-line method over the following estimated useful lives:

Building	22 to 40 years
Vehicles	15 years
Furniture and equipment	3 to 8 years

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Construction-in-progress is not subject to amortization.

Foreign currency translation

Current assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the end of the year. Transactions during the year are translated at exchange rates in effect at the date of the transaction. Exchange gains and losses occurring from the date of the transaction to the date of payment are reflected in the statement of operations and changes in fund balances.

Financial instruments

The Association initially measures financial assets and financial liabilities at their fair value. It subsequently measures its financial assets and financial liabilities at amortized cost, other than investments which are reported at fair value. The financial assets subsequently measured at amortized cost include cash and cash equivalents and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities and payable to related parties.

The Association has assessed the relevant financial risks of its financial instruments as follows:

- Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association maintains a low risk portfolio of investments and does not consider that it is exposed to undue credit risk. There has been no change to the risk exposure from the prior year.

- Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is not exposed to interest rate risk as its investments are in fixed rate instruments. There has been no change to the risk exposure from the prior year.

- Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is not exposed to liquidity risk as it maintains sufficient cash and cash equivalents to meet its ongoing obligations. There has been no change to the risk exposure from the prior year.

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4 Investments

	2019		2018	
	Cost \$	Fair value \$	Cost \$	Fair value \$
Corporate bonds	196,127	195,163	293,075	286,357
GICs	7,872,032	8,041,326	4,642,990	4,706,947
	<u>8,068,159</u>	<u>8,236,489</u>	<u>4,936,065</u>	<u>4,993,304</u>

Corporate bonds and GICs have effective interest rates ranging from 1.60% to 3.16% and mature between 2020 and 2023. The amount maturing in the next fiscal year is \$1,777,760 (2018 – \$1,323,836).

Interest income recorded in 2019 is \$206,905 (2018 – \$133,366).

5 Capital assets

	2019		2018	
	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$
Land	1,491,237	-	1,491,237	1,491,237
Building	2,951,755	1,001,231	1,950,524	1,509,917
Construction-in-progress	-	-	-	500,000
Vehicles	524,829	104,703	420,126	455,137
Furniture and equipment	506,031	413,732	92,299	33,575
	<u>5,473,852</u>	<u>1,519,666</u>	<u>3,954,186</u>	<u>3,989,866</u>

During the year, amortization in the amount of \$142,744 (2018 – \$114,965) was recorded in the Capital Fund.

6 Deferred contributions

The balance pertains to externally restricted contributions to be used for ministry activities that have not been expended as follows:

	2019 \$	2018 \$
Balance – Beginning of year	37,290	175,325
Amounts received during the year	1,440,797	1,518,138
Amounts recognized as revenue during the year	(1,312,375)	(1,656,173)
Balance – End of year	<u>165,712</u>	<u>37,290</u>

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7 Deferred giving program

The Association has a deferred giving program whereby deferred gifts have been made through trust fund participation. These trust funds are managed by Billy Graham Evangelistic Association. As at December 31, 2019, one trust was under administration, with trust funds totalling \$574,886 (2018 – \$565,150), representing 100% of the assets of the trust. The Association is the sole beneficiary under the trust. No amounts related to the trust funds have been reflected in the records of the Association.

8 Allocation of expenses

The allocation of general expenses, including building overhead expenses and insurance, are allocated to the following functional areas based on the pro-rata share of time spent by all employees on ministry activities, fundraising activities and general and administrative activities. During the year, general expenses were allocated to the following areas: \$66,701 (2018 – \$88,040) ministry activities, \$4,718 (2018 – \$7,269) fundraising activities and \$15,476 (2018 – \$19,163) general and administrative activities.

9 Related party transactions

Common control

Samaritan's Purse – Canada and the Association are considered to be related parties as each of these organizations share common directors and a close working relationship.

As at December 31, 2019, the amount due to Samaritan's Purse – Canada was \$44,961 (2018 – \$46,889). This amount was included in payable to related parties. These amounts are subject to normal trade terms as per the cost sharing agreement between the parties and are included in the due to related parties balance. During the year, the Association and Samaritan's Purse – Canada paid reimbursable expenses on behalf of each other.

Affiliated

The Association and Billy Graham Evangelistic Association (BGEA) located in Charlotte, North Carolina are considered affiliated as they share three common directors and a close working relationship. BGEA provides development and response centre support services to the Association. The Association is billed for these services at cost. These and other services provided by BGEA to the Association amounted to approximately \$2,199 (2018 – \$2,518).

As at December 31, 2019, the amount due from BGEA was \$11,003 (2018 – due to BGEA \$35,659). This amount was included in payable to related parties. These amounts are subject to normal trade terms, arose in the normal course of daily operations of the Association, and are included in the due to related parties balance.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of considerations established and agreed to by the related parties.

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10 Government remittances payable

As at December 31, 2019, the amount of government remittances payable was \$4,760 (2018 – \$12,447).

11 Statutory disclosure

As required by Section 7(2) of the Charitable Fundraising Regulation of Alberta, in 2019 the Association paid \$101,952 (2018 – \$96,695) to employees whose principle duties involved fundraising.

12 Subsequent events

In March 2020, the World Health Organization characterized the COVID-19 virus as a global pandemic. As at December 31, 2019, the COVID-19 global pandemic had not yet had a significant impact on global capital markets. Further, COVID-19 had no impact on the Association's operations to December 31, 2019; therefore, no adjustments have been recorded in the financial statements relating to this crisis for the period then ended. As it is not yet known when public health restrictions will be removed, nor the long-term impact of COVID-19, it is not possible to estimate the financial impact of this event on the Association's financial results subsequent to December 31, 2019.